

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-539

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1942



Dear Sir:

There is quoted below, for your information, a letter addressed to a Federal Reserve Bank today with reference to Regulation W:

"In your letter of June 22, 1942 (Inquiry No. 20), you asked for our views regarding the applicability of Regulation W to charges by hotels to the accounts of guests or tenants, including those arising from operations incidental to the primary purposes of hotels.

"In the usual cases, and for the purposes of the Regulation, it would not appear that hotels are 'engaged in' any of the businesses covered by section 3.

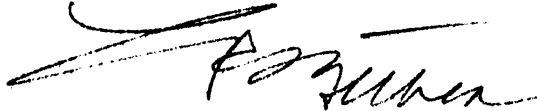
"The Board agrees with your view that a charge solely for room rent does not constitute a 'charge account' since the transaction involves the sale of a service rather than the sale of an 'article, whether listed or unlisted.' The same is true of charges for the sale of other services, e.g., barber, tailor, storage, etc., assuming that the value of any material involved would be insignificant in comparison with the total cost of the service.

"According to the facts disclosed in your letter, the incidental articles or services sold by hotels, or to be considered as sold by hotels although made available through concessionaires or independent contractors, and which may be charged to guests' hotel accounts ordinarily do not include listed articles. Accordingly, it is the Board's view that, unless it appears that a hotel is engaged in the business directly or indirectly of making charge sales of listed articles, charges to guests' hotel accounts for such incidental articles should not be considered as affected by the restrictions of the Regulation.



"You indicate that a hotel may make a cash advance to a guest, pay on behalf of a guest for a C.O.D. delivery by a local merchant, or purchase theatre or railway accommodations for a guest, the amounts thereof being charged to the guest's account. However, it is doubtful whether hotels, as a practical matter, hold themselves ready to so accommodate all guests in this manner or to such an extent that the hotels should be considered as 'engaged in' the extension of the resulting credit as a business. It is the Board's view, therefore, that such casual or incidental operations, alone, do not constitute a business of the type covered by the Regulation."

Very truly yours,



L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS